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THE MAXWELL MYSTERY: Financiers reluctant to grant vote of confidence ● Daunting legacy for tycoon's sons

Elton John with Robert Maxwell in the stand at Oxford United after the failed attempt to sell him control of Watford for £2 million

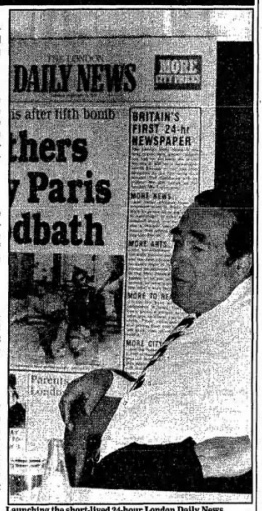
"Not just a hero, a cult figure." — **Robert Maxwell** on himself after rescuing the New York Daily News.

"A grizzly bear whose apparently fond embrace may crush you and whose moods change faster than mountain weather." — **Judi Bevan**, Sunday Telegraph, in April.

"At the age of 68 I can give no such assurance." — **Robert Maxwell** in September when asked if he would remain chairman of MCC permanently.

"I'm sure the Mossad allegation is sheer rubbish and invention." — **Robert Maxwell** on World at One during Mirrorgate.

"I can't understand why my parents and millions like them went to their death without putting up any resistance. I would not have gone to my death without putting up any resistance." — **Robert Maxwell** in April 1991.



Launching the short-lived 24-hour London Daily News

Wedding-cake business enterprise whose icing hid slippery slopes

Dan Atkinson looks into the tangled web which Maxwell's conglomerate presented to the City interests who sought to deal with it

THE wedding-cake structure of Robert Maxwell's worldwide empire has attracted almost as much comment and speculation as the businesses contained within it.

To inspect a diagram explaining the tangle of cross-ownerships and shareholdings is to enter an exotic world of mysterious charities based in Liechtenstein and family trusts that may or may not have holdings in Gibraltar.

To those outside the gossipy world of high finance, the question of which bits owned what may have seemed of little importance. But among the world's bankers and big investors, there was a reluctance ever to give a full vote of confidence to a conglomerate whose organisation chart resembled a cat's cradle.

Robert Maxwell saw it rather differently. During the 1980s he preached the gospel of "global media", insisting that press and publishing were entering a new era in which only the very biggest, most truly international, companies would survive.

Of this group, he said, there would be an elite of four or five. The Maxwell empire would be one of them.

The group changed shape and direction several times but to Mr Maxwell, the final destination never changed. And that was fine by the money markets. Their only complaint was that he rarely consulted them before each tug on the steering wheel.

Until March, even the edgiest investor could be reasonably certain that Mr Maxwell's first love — Pergamon Press — would continue as the still centre of the empire.

The scientific publishing company, founded in the 1950s, was built on the stocks of German technical publications bought up by Mr Maxwell in the immediate post-war years. It continued to boom throughout the 1960s.

But trouble arrived at the end of that golden decade, when the US data processor Leasco withdrew a £55 million offer for Pergamon because it claimed profits had been inflated.

Government inspectors were appointed to investigate Pergamon, and Mr Maxwell was voted off the board. In 1971, the inspectors' report accused Mr Maxwell of having made overoptimistic statements that he must have known were untrue.

Their conclusion — always disputed by Mr Maxwell — was that he was unfit to run a public company. It would have killed the average business career for good, but Mr Maxwell climbed back, regaining control of Pergamon by 1974.

Yet it was not until 1981, with Britain gripped in recession, that he was given his chance to bury the 1971 inspectors' verdict.

British Printing Corporation looked dead in the water. It was paralysed by losses and gripped by industrial disruption.

Mr Maxwell squared up to the unions, and summed up his approach in a statement to union negotiators during a dispute at the Radio Times presses, when he threatened to "just walk away."

The company, renamed BPCC, was hauled back from the brink.

Having saved one national asset, Mr Maxwell was now in an ideal position to argue he should be allowed to save another. Mirror Group Newspapers was, by the early 1980s, in a mess, having been bought by a company — Reed — now desperate to get rid of it. Hands were shaken in 1984, and Mr Maxwell — previously foiled in attempts to buy the News of the World and the Observer — became a Fleet Street proprietor.

The empire — with the printing arm on one side, the newspaper group on the other, and Pergamon somewhere in the middle — was taking shape. The London Daily News was slotted in during 1987 — and slotted out again when it failed after five months.

In the late 1980s, Mr Maxwell changed course again, shifting the centre of BPCC — now renamed Maxwell Communication Corporation — to the US with the purchase of the publishers Macmillan and Official Airline Guides for a total of $3.3 billion.

At the same time, British and US printing operations were sold to help foot the bill.

To his admirers, Mr Maxwell was a man moving ever upwards. To his critics, he was trying to be the biggest something-or-other, but wasn't sure what. Then, in March, Pergamon itself was sold to raise cash.

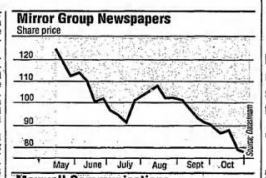
As the recession closed in worldwide, the doubters became more vocal. They pointed to MCC's debts, at one point more than £2 billion. They highlighted losses on The European (launched in May 1990).

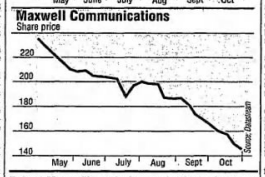
And they criticised the Liechtenstein-domiciled Maxwell Charitable Foundation, the UK-based Headington Investments, and the UK Maxwell family trusts — the not-very-transparent holding vehicles for the Maxwell interests.

By the time Mirror Group Newspapers was floated earlier this year, the so-called "Max factor" dragged down the share price.

On both sides of the Atlantic, one complaint was heard again and again: "We don't know how much Maxwell's companies are really worth".

Now the creator has failed to outlive his empire, the critics may finally find out.





Robert Maxwell's main known business interests

Public companies — controlling stakes:
Mirror Group Newspapers: Daily Mirror, Sunday Mirror, the People, the Sporting Life, the Sporting Life Weekender, Scottish Daily Record, Sunday Mail.
Other interests: Contract printing and stakes in Canadian newsprint suppliers and commercial printers.

Maxwell Communication Corporation:
Information services and electronic printing, including Official Airline Guides Inc, and Nimbus Records;
School and college publishing; Language instruction, including Berlitz; Reference and professional publishing, including Collier encyclopaedias; Macmillan Inc, US publishers.
Other interests: Include stakes in Kenyan newspapers, Belgium magazines, paperback book printing in China, and property in France and Portugal.

Private interests:
Maxwell Charitable Foundation (based in Liechtenstein).
Robert Maxwell Group
Newspapers: The European; New York Daily News; stake in the Independent; stake in Ma'ariv newspaper in Israel.

Brothers take control of media empire

Rebecca Smithers reports on the succession now put to the market test

THE immediate question of succession was tackled yesterday as Robert Maxwell's sons Kevin and Ian took on the awesome tasks of running the two public companies which make up the bulk of their father's sprawling media empire.

Ian, aged 34, was appointed acting chairman of Mirror Group Newspapers, while 32-year-old Kevin took on the same role at Maxwell Communications Corporation.

The pair had been groomed over the years by their father, moving up through various Maxwell businesses, incuding running his football clubs, Derby County and Oxford United.

But they have a tough act to follow, and could be seriously disadvantaged by the fact that almost all their relatively short working lives have been spent within the Maxwell empire.

Of the brothers, Kevin probably has the most daunting task. Since he took over from his father as chief executive of Maxwell Communications Corporation in July, and before that as joint managing director, he has had to grapple with the business of managing debt, which has been in plentiful supply at MCC. He has also been responsible for Maxwell's private interests, including the New York Daily News.

Some in the City question the wisdom of again combining the roles of chairman and chief executive, with no tempering influence. However, it is thought unlikely that a non-executive chairman would be brought in at a later date.

At the financially less-exposed Mirror Group Newspapers, where Ian moves from deputy chairman to acting chairman, there is a more balanced board of directors with strong personalities such as production director, Jack Ferguson, and managing editor, Ernie Burrington.

Ian, considered to be more affable and less serious than his younger brother, has been running the group's European business from Paris, but is now expected to move back to London.

Both men had been used to living in the shadow of their flamboyant father, and while they have proved to be competent businessmen, they lack his dynamism.

"They now have to prove to the City that they can run the companies without the watchful presence of Maxwell.

Some observers think they have not yet demonstrated their abilities to the full, and may flourish in their father's absence.

But a strong lobby believes that the brothers lack the power and the ability to mend the cracks in the Maxwell empire, and that a break-up of the British interests of MCC is inevitable.

Now in charge . . . Kevin, aged 32 (left), and Ian Maxwell, 35, talk to reporters last night outside the Mirror building

Israel mourns 'rich uncle' bearing investment gifts

David Hudson reports on the fondness felt for an entrepreneur admired for knowing when to buy and sell and who to court

THE NEWS about Robert Maxwell came as a shock in Israel where over the past six years he has been investing in several high profile enterprises.

Maxwell who had not been seriously involved in Israeli or Jewish affairs until fairly recently, was regarded fondly by most Israelis. A senior Treasury official described him last night as "a missing rich uncle who suddenly turned up on our doorstep".

His apparent search for roots earned him respect and he was admired as an investment entrepreneur who in the words of one Tel Aviv businessman "seemed to know exactly when to buy and when to sell."

Maxwell turned on its head an old adage that the best way for an investor to take away with him £1 million from doing business in Israel was to start with £2 million. His first big investment three years ago was in the highly rated but financially ailing hi-tech firm Scitex whose shares were trading in New York at around $3 each.

Maxwell bought 27 per cent of Scitex for $39 million generating a turnabout in the company's fortunes. When he sold out a couple of months ago his shares were worth well over $200 million.

He also invested heavily in a flourishing pharmaceutical firm and was engaged in a publishing venture. In 1988 he assumed 50 per cent control of the country's second largest daily newspaper Ma'ariv. Six weeks ago he completed a takeover which gave him and his associates over 80 per cent and was planning to turn Ma'ariv into Israel's top paper.

There has also been a spin-off venture, a Russian language weekly aimed first at the hundreds of thousands of Soviet immigrants but planned eventually to be circulated in the Soviet Union itself.

While he preferred to invest in going concerns rather than to respond to the entreaties generally directed by Israeli officials at wealthy Jewish businessmen abroad and initiate himself new ventures, he was popular with Israeli politicians of all persuasions, including the Prime Minister and the President.

In occasional articles penned by him and in public statements he espoused Israel's cause and backed the refusal to meet Arab demands for territorial concessions.

Recently, however, he softened those arguments saying that the chance of the US-orchestrated peace process should not be missed.

He was awarded honorary doctorates by two Israeli universities.

Israel Radio reported last night that Maxwell had recently told confidantes that when he retired he wanted to settle in Israel and certainly wished to be buried in the country.

Holocaust 'ended all illusions'

Ian Katz

IN HIS last public speech, Robert Maxwell described his hopes for peace in the Middle East and recalled how his whole family had died in Auschwitz, "the most infamous monument to man's inhumanity to man."

The speech was read by his son, Ian, on Monday night at a dinner held by the Anglo-Israel Association after guests were told that Mr Maxwell could not attend due to illness.

Ian Maxwell told guests: "Of all the nights that my father would have wished to have been present, this I think would be it." He spoke to his father by telephone for the last time at around 11 pm before his disappearance yesterday.

In a speech which reflected Mr Maxwell's statesmanlike self-image he congratulated President Bush and the US Secretary of State, James Baker, for organising the Madrid peace conference but criticised them for handling the negotiations in a "ham-fisted way."

The United States was using people as "pawns in a diplomatic gambit" by withdrawing loan guarantees.

Recalling the Holocaust he warned that it was "impossible to divorce the events of today from what has gone before."

At 16, he joined the Czech army in France after escaping death at the hands of the Nazis. "Six million other Jews, including my father, my mother, my grandfather, three sisters and a brother, were not so lucky."

The Holocaust had ended all illusions, he said. "For me they were finally shattered when I learned in 1944 that the allies would not bomb the railway lines to Auschwitz because such a raid rated low in the military priorities."

He dismissed suggestions that Israel must sacrifice land for peace, stressing the need for security. "Israel cannot afford to lose even one single war, because that would mean instant annihilation.

"The only people the Jews can trust for their survival are themselves." But Arabs and Jews had lived peacfully together in the past. "I believe they can do it again."

US journalist says he will reveal more about links with Mossad

Richard Norton-Taylor

SEYMOUR Hersh, the American journalist, said last night that he intends to disclose more information linking Mr Maxwell to the abduction of Mordechai Vanunu, the Israeli technician who revealed secrets about Israel's nuclear weapons programme in 1986.

In his book The Samson Option, Mr Hersh linked Mr Maxwell to the Israeli intelligence service. One of Mr Hersh's main sources, Ari Ben-Menashe, has also told the Guardian that he has more information about Mr Maxwell.

The book made allegations that Nicholas Davies, the Daily Mirror's former foreign editor, worked directly with Mr Maxwell in alerting Israeli intelligence about Mr Vanunu's presence in London. Mr Vanunu, now serving an 18-year jail sentence in Jerusalem, had given his story to the Sunday Times. "What I wrote in the book is only 10 per cent of the story", Mr Hersh said last night.

Rupert Allason — author Nigel West — the Tory MP for Torbay, who repeated the Hersh allegations in the Commons, said last night that he also had more information about Mr Maxwell's links with the Israeli intelligence services, Mossad.

Mr Maxwell became an intelligence officer at the end of the war, partly because of his talents as a linguist. After demobilisation, he worked for the Foreign Office in Germany.

In this month's Vanity Fair, the rising stars of the West,

Hotter than ever, the long-running Bette Midler has risen to become a Hollywood superstar. This month she talks about her life and her new film, "For the Boys," in which she stars with James Caan.

Norman Schwarzkopf masterminded Operation Desert Storm, John Major masterminded the safe enclaves for the Kurds, and Red Adair is masterminding the battle against Kuwait's oil fires. They're a few of the stars in Vanity Fair's 1991 Hall of Fame, "The War Heads."

and the fallen stars of the East.

Chairman Mao's widow was once the star of the Communist elite. In May this year she committed suicide after spending 15 years in China's Bastille for her role in the notorious Gang of Four. The authorities tried to silence her, but she had already told her story to one Westerner. Now Roxanne Witke tells the true story of Madame Mao in Vanity Fair.

Once the star of the Kremlin, Gorbachev rejected the warnings of his closest friends, ignored Boris Yeltsin, and embraced the hypocritical sycophants that led the coup against him. Gail Sheehy returned to Moscow for Vanity Fair to talk to those he refused to listen to.

You've never read anything like it. Out now £2.00

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